

OLL 85-3264

Office of Legislative Liaison
Routing Slip

TO:	ACTION	INFO
1. D/OLL		x
2. DD/OLL		x
3. Admin Officer		
4. Liaison	x	
5. Legislation		
6. []		x
7. []		x
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SUSPENSE		28 Oct 85
		Date

Action Officer:	[]
Remarks:	[]

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Name/Date

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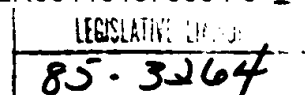
Office of Legislative Liaison
Routing Slip

TO:		ACTION	INFO
	1. D/OLL		✓
	2. DD/OLL		✓
	3. Admin Officer		
	4. Liaison		✓
	5. Legislation	✓	
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SUSPENSE 28 Oct 85
Date

Action Officer:	<div></div>
Remarks:	<div></div>

Am/24 Oct 85
Name/Date



The Director of Central Intelligence

Washington, D.C. 20505

Intelligence Community Staff

23 October 1985

MEMORANDUM FOR: Mr. Briggs, CIA

NSA
DIA

STAT

SAF/SS
Mrs. Andrews, DASD(I)/C3I

STAT

FROM: Robert D. Kline
Chief, Legislative Liaison

SUBJECT: Draft HAC Language To Appear in the HAC's Unclassified Report

Attached for your information and use is draft language that will appear in the House Appropriation Committee's unclassified report on the FY 1986 budget, which the Defense Subcommittee staff provided me late yesterday afternoon. My understanding is that the unclassified report will be available late Friday afternoon, or on Monday 28 October 1995.

STAT

Attachment:
As Stated



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personnel at the 23rd Air Force to no more than were on board at the end of fiscal year 1984.

10. Because of the importance of Project 46 to the Special Operations Forces, the Air Force is directed to fully fund this effort within resources available.

11. The Air Force is directed to stop delaying the upgrades of command, control, and communications equipment required by the Special Operations Forces and to report to the Committee specific actions being taken in conjunction with the FY 1987 budget request to meet these requirements, including permanent installation of Special Operations Low Level (SOLL) modifications to selected MAC C-130 and C-141 aircraft.

12. The Department is requested to report to the Committee detailed requirements, capabilities, and cost estimates for supporting the Special Operations Forces with the C-17 aircraft.

13. The Navy is directed to provide a report to the Committee outlining specific organizational changes which should be made to preclude the need for Special Operations support staffs belonging to the CINCs or fleet commanders from being diverted to participate in Navy Special Warfare operations missions at the very time the commander is being called upon to utilize this same support staff to plan and execute such a mission.

INTELLIGENCE AND INTELLIGENCE RELATED ACTIVITIES

The Committee reviews the intelligence and intelligence related activities budgets with the same intensity and completeness as is afforded other portions of the Department of Defense (DOD) budget. Because of the highly sensitive nature of these activities, the results of the Committee's budget review are published in a separate detailed and comprehensive classified annex to this report. The intelligence community is expected to comply fully with the recommendations and direction in the classified annex accompanying the fiscal year 1986 DOD Appropriation bill.

COMMITTEE'S OVERSIGHT FUNCTION

In pursuing its oversight function in the intelligence and intelligence related activities areas, the Committee held numerous separate hearings and briefings which resulted in several thousand pages of transcript and written responses for the record relating to those hearings. Additionally, there were several hundred pages of written responses for the record not related to any specific hearing.

The Committee remains convinced that a continuing, intensive investigative effort of the overall intelligence area is warranted because of the relative isolation of the intelligence community from outside scrutiny. Traditionally, the intelligence agencies generally have been exempt from routine review by the General Accounting Office (GAO) except in a limited number of instances. The GAO review efforts primarily encompass the intelligence related activities areas.

Over the years, the investigative efforts of the Committee's Surveys and Investigations Staff have served a common good, both in furthering and assisting in the Committee's oversight function, and in identifying important issues for the intelligence community.

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These investigative studies will be continued. The Committee has authorized additional reviews involving the intelligence community which will permit the Committee to ensure that the agencies of the intelligence community are complying with previous Congressional directives and recommendations. Additionally, these efforts will assist in the discovery of new problem areas or issues requiring both Committee action and remedial measures by the intelligence agencies affected.

NATIONAL FOREIGN INTELLIGENCE PROGRAM

The National Foreign Intelligence Program consists of those intelligence activities of the Government which provide the President, other officers of the Executive Branch, and the Congress with national foreign intelligence on broad strategic concerns bearing on U.S. national security. These concerns are stated by the National Security Council in the form of long-range and short-range requirements by the principal users of intelligence, and include political trends, military balance trends, economic trends, treaty monitoring and support to military theater commanders.

The National Foreign Intelligence Program budget funded in the Department of Defense Appropriation Act consists primarily of resources of the Central Intelligence Agency, the Office of the Secretary of Defense, the Defense Intelligence Agency, the National Security Agency, the Departments of the Army, Navy, and Air Force, the Intelligence Community Staff of the Director of Central Intelligence, and the CIA Retirement and Disability System Fund.

The Committee has recommended a substantial reduction in the fiscal year 1986 National Foreign Intelligence Program budget, the details of which are explained in the classified annex to this report. In spite of this reduction, funding growth is provided, and the Committee believes that the funds recommended are adequate to support a viable National Foreign Intelligence Program in the forthcoming fiscal year.

NICARAGUAN DEMOCRATIC RESISTANCE

The Committee has included bill language identical to that contained in the House passed Intelligence Authorization bill providing that during fiscal year 1986, no funds available to the Central Intelligence Agency, Department of Defense, or any other agency or entity of the United States involved in intelligence activities may be obligated or expended, directly or indirectly, for material assistance to the Nicaraguan democratic resistance including arms, ammunition, or other equipment or material which could be used to inflict serious bodily harm or death, or which would have the effect of providing arms, ammunition or other weapons of war for military or paramilitary operations in Nicaragua by any group, organization, movement, or individual.

Additional bill language was included to clarify that nothing in the above described section of the bill "shall be construed to impair or affect the authority of the Nicaraguan Humanitarian Assistance Office to administer humanitarian assistance to the Nicaraguan democratic resistance of the nature and to the extent provided by, and under the terms and conditions specified in, the Supplemental

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Appropriations Act, 1985 (Public Law 99-88)." The Central Intelligence Agency is prohibited from participation in any of the activities of the Nicaraguan Humanitarian Assistance Office.

As agreed by the Congress in enacting the fiscal year 1985 Supplemental Appropriations bill, nothing in this provision shall be construed to prohibit the United States Government from exchanging information with the Nicaraguan democratic resistance.

QUALITY OF JUSTIFICATION MATERIAL

By the very nature of the appropriations process, the Committee is highly dependent upon the individual agencies whose budgets are being reviewed for the great bulk of information necessary in producing the annual Defense Appropriation bill. Since alternative sources for acquiring information on highly classified programs are virtually non-existent, this dependency is especially evident in reviewing the annual budget request for intelligence and other compartmented programs.

While some organizations such as the National Security Agency submit well documented budget justification material supplemented by timely and responsive answers to specific additional requests made by the Committee, other organizations are clearly remiss in the adequacy of the justification provided for the substantial appropriations being requested. The Committee wishes to remind the Director of Central Intelligence of the Committee's traditional policy that it is incumbent upon him and the organizations he oversees to provide adequate detailed justification for every dollar being requested of the Congress upon submission of the budget each year. In the future, failure to comply with this policy may force the Committee to recommend no funding for programs which might have contributed to our national intelligence capability, but which were not adequately justified.

GENERAL PURPOSE AUTOMATED DATA PROCESSING RESOURCES

Over the last several years, the Committee has become increasingly concerned with the lack of adequate management of general purpose ADP in the national security activities of the Executive Branch. Elsewhere in this report, the Committee discusses in detail some of the findings resulting from the most recent in-depth investigation into this area.

The Committee wishes to make it clear that the general thrust of the guidance contained in this major review of ADP resources should be considered to apply to the intelligence community as well. In particular, the following guidance should be clearly implemented within the intelligence community: a prohibition on new starts of major automated information systems (\$100,000,000 life cycle costs or \$25,000,000 in one year) unless previously submitted to the Congress in a budget submission for that fiscal year or approved in a reprogramming request; acquisition of ADP equipment in the most economical manner, including outright purchase, unless ADP and contracting officials can specifically justify a method of acquisition and financing that will produce a lower total overall cost to the Government; a program to buy out uneconomical leasing of office automation equipment; and submission of ex-

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hibits 43A and 43B or an equivalent type of ADP justification with the fiscal year 1987 budget request at the same level of detail that has been directed for the Department of Defense.

REFORM OF PROCUREMENT MANAGEMENT

As a result of reviews by this Committee as well as other interested Congressional Committees, of internal investigations by Department of Defense audit and inspection organizations, of investigative journalism by the various media, and of dedicated individual military and civilian workers who would not accept bureaucratic resistance and inaction, significant new procurement management reforms are being implemented to ensure that the best possible defense is purchased for the least possible price. However, the Committee is concerned that by the very nature of the business conducted by the intelligence community, the same vigorous and far reaching scrutiny may not be available to highlight where improvement is needed in the procurement practices of these organizations. As a result, the Committee is directing that the Director of Central Intelligence provide a report to the Committee no later than March 1, 1986 evaluating the effectiveness of the procurement policies of the intelligence community, specifically addressing, but not being limited to, the following issues: initiatives implemented over the last few years; potential for increasing competition; volume of sole source contracts; adequacy of contractor performance; types of contracts used; cost overruns; overhead cost control; overspecification; contract audit and inspection; reverse engineering; "should cost" reviews; and overpricing. In addition, the Director of Central Intelligence should consult with the Inspector General of the Department of Defense to ascertain the procurement forms implemented, or being implemented, in the Department of Defense which the Inspector General believes will be of significant benefit there, and comment on the extent to which these reforms may be applicable to, or have been implemented in, the intelligence community. The DCI should ensure that the report to the Committee addresses the status of any reforms being implemented, future initiatives which may be implemented, savings produced, and future goals.

BUDGETING FOR PROJECTED INFLATION

Over the past several years, the Department of Defense has worked with the Congress to ensure that the amounts budgeted for inflation are readily visible. While there may not be universal agreement as to the appropriate amount to be included for inflation in the annual Defense Appropriations bill, at least the Department has made significant strides in attempting to justify the amount requested as being based upon some index associated with fuel, procurement items, or expense items, or based upon specifically signed and legally binding contracts with escalation clauses.

The Committee has some concern that the same rigor in justifying projected inflation in the budget request is not pursued in the intelligence community. Therefore, the Committee is requesting that, as a part of the fiscal year 1987 budget request, the Director of Central Intelligence provide a breakout by intelligence program for each appropriation, the amount of inflation included, and

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supply to the Committee specific supporting documentation to indicate the basis for the request.

INTERNATIONAL TERRORISM

In his Annual Report to the Congress, the Secretary of Defense stated that "the United States will continue to seek a more active defense against terrorist attacks throughout the world." The Committee fully supports maintaining an active defense against terrorism. It is noted, however, that unlike conventional or nuclear war an active defense against terrorism does not require hundreds of billions of dollars in hardware nor millions of troops. Given the relatively small allocation of resources necessary, the Committee believes that counter-terrorism programs should be given a top priority, especially by the intelligence services, since the terrorist threat is the most likely one to be faced by the U.S. in the near term.

CIVILIAN PAY REDUCTION RESTORATION

As discussed elsewhere in the Committee report, the Congress has rejected the President's proposal for a five percent reduction in civilian pay for fiscal year 1986. As a result, the fiscal year 1986 budget request as submitted by the President does not fully fund the civilian pay requirements for the intelligence community. In recommending elsewhere in this report the restoration of fifty percent of the required additional funding for all agencies and activities funded in this bill, the Committee expects the intelligence community not only to receive a proportionate share of the additional funds being provided above the President's request, but also to accommodate a "fair share" of the absorption required. The Director of Central Intelligence is requested to provide a report to the Committee on precisely how the absorption has been allocated by intelligence activity as a part of the fiscal year 1987 budget submission.

INTERNAL AUDIT AND INSPECTION PROGRAM

Over the past decade, the Committee has increasingly relied upon the many outstanding reports produced by the various audit agencies of the Department of Defense. The Committee has found these reports to be invaluable in evaluating the success or failure of the thousands of programs requiring billions of dollars in defense expenditures each year. Because of the relative isolation of the intelligence community as discussed previously, the Committee intends to ensure that the intelligence community maintains a strong and aggressive internal audit function. Full compliance by the intelligence community with the provisions of the classified annex will fulfill this objective.

TACTICAL INTELLIGENCE AND RELATED ACTIVITIES PROGRAMS

The Department of Defense Tactical Intelligence and Related Activities (TIARA) encompass a diverse array of reconnaissance, surveillance and target acquisition programs which are primarily a functional part of the basic military force structure, and provide direct information support to combat operations. TIARA includes those activities outside the General Defense Intelligence Program

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which respond to operational command tasking for time-sensitive information as well as to national communications, command, control, and intelligence requirements.

A precise estimate of the impact of the Committee's recommended funding for the TIARA programs cannot be calculated at this time. Since the Committee's recommended reduction of \$2.7 billion for the "inflation premium" and the "inflation fairness adjustment" impact on numerous accounts which include TIARA programs, the precise impact of those reductions on the TIARA aggregation of programs is yet to be determined. In addition, since the Committee has made a general reduction in the Strategic Defense Initiative (SDI) program, the impact of that reduction on the SATKA (Surveillance, Acquisition, Targeting and Kill Assessment) subprogram, (which is within the TIARA aggregation of programs) cannot be determined at this time.

Explanations of the Committee's specific recommendations for TIARA programs appear in the appropriate sections of this report and/or in the classified annex. The funding provided for TIARA represents substantial real growth, which the Committee feels will fully support these activities in the forthcoming fiscal year.

COMMUNICATIONS, COMMAND AND CONTROL

The Committee reviews communications, command and control (C³) on a functional basis rather than on an appropriations basis. This functional approach is required since these activities affect almost every aspect of DOD operations and can be reviewed more effectively as a coherent whole rather than as separate pieces. The detailed description of the Committee's actions in regard to these activities follows:

C³ PROGRAMS

Appropriations, 1985	\$18,500,000,000
New obligation authority, 1986:	
Estimate	21,200,000,000
Recommended	20,116,884,000
Reduction	1,083,116,000
Total recommended in the bill	20,192,042,000

¹ Includes \$20,116,884,000 in new obligation authority, and in addition \$75,158,000 to be derived by transfer from prior year unobligated balances.

The Committee recommends a total of \$20,116,884,000 for the C³ programs of the Department of Defense. This is a reduction of \$1,083,116,000 from the budget request.

Although the reduction appears to be somewhat substantial, it should be noted that the funds to be provided in fiscal year 1986 and already provided in other recent defense budgets have and will provide significant growth and modernization in the entire range of DOD's communications, command and control programs.

CHANGES TO BUDGET REQUEST FOR C³ PROGRAMS

The following table compiles the recommended changes in the budget for communications, command and control programs requested in fiscal year 1986. Explanations of the recommended changes occur in the appropriate section of the report; i.e., Army

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